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Committee on Financial Services

Michael G. Oxley, Chairman

For Immediate Release: **Contact: Peggy Peterson at 226-0471**

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Bipartisan Anti-Fraud Legislation Passes House Financial Services Committee

This morning, the House Financial Services Committee passed legislation to prevent fraud in financial services by voice vote. Brought before the Committee by Chairman Michael G. Oxley (OH), H.R. 1408, the Financial Services Antifraud Network Act was introduced by U.S. Rep. Mike Rogers (MI).

The legislation moves to create an anti-fraud network for information sharing amount the nation's more than 250 financial regulators about financial services professionals. Currently, bad actors can too easily escape regulators' notice by moving from one state to another or from one industry to another.

Describing the new network as "quick and inexpensive," Oxley said in his opening statement on the legislation, "Many financial regulators already keep industry-specific databases of bad actors. H.R. 1408 would link these existing antifraud records via a network that may be as simple as a computer search engine. In this way, the regulators can effectively pool their information and shut down fraud at its inception."

Partially inspired by the Martin Frankel case, the bill would give regulators six months to plan and two years to implement the new network. If these goals are not met, a new subcommittee to administer the network would be created within the President's Working Group on Financial Markets.

The Rogers bill could have prevented crimes such as those committed by Martin Frankel, who was barred from the securities industry before moving to the insurance industry and stealing hundreds of millions of dollars.

"As a former special agent of the Federal Bureau of Investigation, I know firsthand that criminals come in all shapes and sizes," Rogers said. "Advances in modern technology and the Internet have created a new frontier for criminals, allowing them to defraud consumers with a mere click of a computer mouse. Our regulators need the same technological tools."

"Does anyone seriously doubt that there are hundreds, if not thousands, of would-be Martin Frankels still operating in our financial markets?" asks Financial Institutions and Consumer Credit Subcommittee Chairman Spencer Bachus (AL). "The anti-fraud network established by this legislation will help level the playing field between the Frankels of the world and the financial regulators charged with policing financial fraud and protecting consumers."

Financial regulators have begun to make agreements among themselves to share information, but these agreements cannot create a seamless, nationwide net, nor can they completely and reliably address privacy concerns.

Under the Rogers legislation, regulators decide what information will be shared and the frequency of sharing. However, the regulators are only directed to share public final disciplinary and formal enforcement actions taken against financial companies and professionals. The bill further conveys the congressional view that regulators should consider sharing additional anti-fraud information that is publicly available, as well as information from financial reports, affiliations, and applications which are factual and substantiated.

The bill does **not** require any new information collecting, and it does **not** create a new database. **No** information about consumers will be collected or shared.

The legislation also includes strict privacy protections for the financial professionals under review. Specifically, regulators cannot share information unless there are adequate privacy and confidentiality safeguards. The regulators may not rely on unconfirmed or unadjudicated information. If a regulator uses information from the network to take any action against a financial services professional, the individual generally will be given the information first and must be given a chance to respond.

A provision in the legislation separate from the anti-fraud network would allow the FBI to run fingerprints of applicants for insurance licenses through its national fingerprint database if the particular state enacts a uniform or reciprocal agent licensing law. Only screened FBI information would be provided to the state insurance commissioner, including felony convictions, violent misdemeanors, failure to pay taxes or child support, and financial crimes. For example, indictments that did not result in conviction would not be provided to commissioners. There are strict penalties for the misuse of such information.

Oxley commended Rogers; Financial Institutions and Consumer Credit Subcommittee Chairman Spencer Bachus (AL); Ranking Minority Member John LaFalce (NY); and Financial Institutions Ranking Minority Member Maxine Waters (CA) for their bipartisan work on the bill.

H.R. 1408 was reported to the full Committee on a voice vote by Bachus's Subcommittee on Financial Institutions and Consumer Credit on June 13.

Rogers and Oxley are former special agents of the FBI.

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